

City of Albuquerque

Office of Internal Audit

Martin Chavez, Mayor
Interoffice Memorandum

November 15, 2002

To: Jay Czar, Chief Administrative Officer

Irene Garcia, Chief Financial Officer

Sandra Doyle, Director, Department of Finance and Administrative Services

From: Debra Yoshimura, Director, Office of Internal Audit

Subject: FOLLOW-UP REVIEW OF MANAGEMENT AUDIT NO. 01-114,

DEPARTMENT OF FINANCE AND ADMINISTRATIVE SERVICES, ROSS

SYSTEM

The Office of Internal Audit completed a follow-up review of Management Audit Report No. 01-114, Department of Finance and Administrative Services, Ross System. The purpose of our review was to determine whether the audit recommendations had been implemented. We determined the following:

RECOMMENDATION NO. 1:

We reviewed a list of 450 Ross users:

- Nine of 45 user names sampled belong to individuals no longer employed by the City.
- Thirty-one of the 450 users on the list have 2 or more active user names.
- Nine users were listed by first name only.

Thirty-six user names were assigned to functions or processes not people. Twenty-six of these had passwords that were easy to guess. We were able to log on as Chief Timekeeper, Payroll Calculation, and Payroll Supervisor. According to the City's Chief Information System Officer, the user names assigned to functions and processes were previously deleted. However, due to problems, the system software was reinstalled and the user IDs and access were re-established. ISD was not aware that the function IDs were active.

Not all departments notified ISD of employee terminations, transfers and name changes.

We recommended DFAS/ISD ensure that the login access to the Ross application software is regularly reviewed and updated. Also, users should be prompted to change their passwords for Ross on a regular basis (e.g. every 30 days.) The function user names should have their passwords changed or the login access should be terminated.

We recommended DFAS/ISD review the list of users after software is re-installed to ensure that previously deleted users access is not re-established.

We recommended the CAO remind department directors of their responsibility to notify ISD when an employee terminates employment or transfers to another department. Notification should also be sent to ISD when an employee changes names.

ACTION TAKEN

This recommendation has been partially implemented. DFAS management told us that when this issue was initially brought to their attention that an e-mail was sent to all users informing them that their passwords would be changed. DFAS also stated that users are required to change their Unix password every 30 days. However, the Ross system does not prompt the user to change his/her password regularly, instead the users are responsible for changing their Ross password on their own. Users are also regularly reminded at the payroll user group meetings to change their passwords in the Ross system.

We performed test work on the 450 Ross user names. Our test work indicated the following:

- The Ross system can be accessed with twenty of the user names by entering the first name of the user as the password.
- Ten of those 20 user names have data entry capability.
- Two of the 20 user names are generic, and are probably used by multiple individuals not one person.

It was determined that these 20 individuals are still employed by the City of Albuquerque. We immediately notified DFAS management about the 20 user names.

DFAS management mentioned that they are in the process of installing a web based upgrade for Ross that will cost approximately \$400,000. This upgrade will require a new way of logging on to the Ross system. The upgrade should be implemented in spring 2003.

DFAS management told us that a rare situation occurred in which they had to re-install an older version of the security table for Ross. This has not occurred again recently; however, if it does DFAS personnel will closely monitor to ensure that previously deleted user access is not re-established

Language in the Personnel Rules and Regulations was updated when the latest revision was issued in Feb. 2001. Furthermore, the directors that were appointed by the new administration, in December 2001, were informed at a directors meeting of their responsibility to notify ISD about terminations and transfers.

FOLLOW-UP RECOMMENDATION

DFAS should routinely prompt Ross users to change their passwords, and remind users not to use passwords that can easily be guessed.

EXECUTIVE RESPONSE FROM DFAS

"With the implementation of the web-based version of the Now Solutions system, users will no longer have the ability to change their own passwords. Passwords will be assigned as random words or alphanumeric combinations."

RECOMMENDATION NO. 2:

Several timekeepers had access to the Automated Clearing House (ACH) report that contained confidential information for all employees receiving payroll via direct deposit. In addition, several timekeepers had access to other Departments' payroll reports.

We recommended that DFAS limit the access of confidential information to only authorized individuals. DFAS should determine who has access to this information, reviewing whether or not access is appropriate, and revoke authority if it is not appropriate.

ACTION TAKEN

This recommendation has been fully implemented. According to DFAS management, all timekeepers have been taken off the Page Center mailing list for this report. This report now only goes to personnel in the Payroll Division and Accounting User Support.

RECOMMENDATION NO. 3:

When the Ross Crossview report options were selected, the system prompted the user to enter his/her password. When the password was entered, the actual characters and numbers were visible on the user's computer monitor, and could be seen by anyone in the near-by area.

We recommended that DFAS have the software vendor correct the problem of the actual characters/numbers being visible to others when users enter their passwords to access Crossview report options.

ACTION TAKEN:

This recommendation has been partially implemented. DFAS management told us that this issue has been raised with the vendor Crossview. However, Crossview is no longer doing enhancements to its software. Instead, DFAS is in the process of moving reports to Cognos. DFAS management said that this has been a very time consuming process, and is not sure when it will be completed.

FOLLOW-UP RECOMMENDATION

DFAS should ensure that they continue to develop processes that will move reports from Crossview to a more secure platform.

EXECUTIVE RESPONSE FROM DFAS

"The implementation of the web-based version of the Now Solutions system and the migration of the remainder of the Crossview reports to Cognos is scheduled for February 2003. As reports are converted to Cognos in the meantime, the Crossview version will be removed."

RECOMMENDATION NO. 4:

The City purchased nine modules of the Ross System. Only four of these modules are being used. The Human Resources Department (HR) uses only 8 of 54 HR options available. Planning prior to the purchase of a system should include an end users needs assessment.

We recommended that DFAS/ISD ensure that all system acquisitions include proper planning. Procedures should be adopted to integrate with systems rather than modifying systems to be compatible with current procedures.

ACTION TAKEN:

This recommendation has been partially implemented. DFAS personnel are working with the Human Resources department by trying to address this issue via the Economic Resource Planning project.

FOLLOW-UP RECOMMENDATION

DFAS should determine if any other departments should be involved in the Enterprise Resource Planning process.

EXECUTIVE RESPONSE FROM DFAS

"The plans for implementation of an ERP system include involvement by all departments."

RECOMMENDATION NO. 5:

Payroll Division and Accounting User Group personnel do not effectively communicate, and have not been successful in working together. Payroll Division personnel are not included in the training of new timekeepers, and do not participate in personnel/payroll user group meetings (PPUG).

We recommended that DFAS include Payroll Division personnel in timekeeper training. Also, Payroll Division personnel should be encouraged to attend and provide input for PPUG meetings.

ACTION TAKEN:

This recommendation has been fully implemented. According to DFAS management, the Paymaster now attends the PPUG meetings to represent the Payroll Division, and acts as the liaison between Accounting User Support and Payroll Division personnel.

RECOMMENDATION NO. 6:

DFAS did not offer training specifically targeted for managers and supervisors who review and approve payroll. Supervisors may not understand the Ross system reports and codes.

We recommended that DFAS develop payroll training for managers and supervisors who review and approve payroll.

ACTION TAKEN:

This recommendation has been fully implemented. There have been three training sessions since the audit report was issued. The first session was communicated to department managers via e-mail. DFAS personnel also communicate information about upcoming payroll training for supervisors and managers at all PPUG meetings and on the Accounting User Support training calendar.

RECOMMENDATION NO. 7:

Payroll is set up as a decentralized function, as a result; approximately 450 users have access to the Ross system. Findings 1, 4, and 5 indicate areas, within the Ross system, where unauthorized individuals can gain access to sensitive payroll information. The City may wish to restrict access to sensitive information to a limited number of authorized individuals.

We recommended that the CAO review the Pros and Cons of having payroll centralized vs. decentralized.

ACTION TAKEN:

This recommendation has been partially implemented. The Office of Internal Audit (OIA) led a task force to review the Pros and Cons of having payroll centralized vs. decentralized. A report was issued to the Office of the CAO in February 2002. According to the Chief Financial Officer, this report has not yet been reviewed.

FOLLOW-UP RECOMMENDATION

The CAO should review the report prepared by OIA and determine if the payroll process should be modified.

EXECUTIVE RESPONSE FROM CAO

"The Administration will review the report."

RECOMMENDATION NO. 8:

Payroll Division personnel process manual checks at the request of the timekeepers. The checks are printed by the ISD and returned to Payroll for distribution. There is a lack of separation of duties since Payroll personnel have both processing and custodial responsibilities.

We recommended that DFAS consider having a separate division distribute the manual checks.

ACTION TAKEN:

This recommendation has not been implemented. According to DFAS management, manual checks are still distributed by the Payroll Division. All manual check requests go to the Paymaster who reviews and initials them. The Paymaster gives the check requests to a payroll processor to enter to the payroll system. ISD processes the checks. The duties of

processing and distributing manual checks have been shared between three processors. All the processors have access to enter manual checks into the system.

FOLLOW-UP RECOMMENDATION

DFAS should consider having a different division distribute the manual checks.

EXECUTIVE RESPONSE FROM DFAS

"We believe that the review function within the Division is adequate; however, we will institute a procedure that requires the manual check log to be submitted to the Accounting Officer or Assistant Accounting Officer for review."

RECOMMENDATION NO. 9:

Third-party checks, such as garnishments and other withholdings are processed, posted, and maintained by the same individual in Payroll. Ross does not have an option for third-party checks; therefore, the entire process is entered manually. Since one person performs this entire process, there is a significant potential for errors.

For the period ending September 13, 2001, there were 352 deductions for payment to 3rd parties for \$59,710. One hundred eighteen (33%) of the payments totaling \$19,452 were made by check. Based on the data for this pay period, over a one-year period the dollar amount for manual checks would approximate \$500,000.

We recommended that DFAS assign separate individuals to perform the processing, posting, and safekeeping of third-party checks.

ACTION TAKEN:

This recommendation has not been implemented. DFAS management stated that the Payroll Division is in the process of cross-training personnel, and that the division still has not determined how this will be handled. We were also told the Paymaster is closely involved with this function.

FOLLOW-UP RECOMMENDATION

DFAS should ensure that that processing, posting and safekeeping of third party checks is assigned to different individuals.

EXECUTIVE RESPONSE FROM DFAS

"The Now Solutions payroll system does have an option for third party checks; this is how the garnishment payment checks are produced. We believe that adequate controls exist because of the oversight provided by two outside parties: the employee from whose check the deduction is made and the recipient of the payments. We will continue to encourage the payees to use the direct deposit option to limit the number of physical checks that are produced."

RECOMMENDATION NO. 10:

As the City considers an integrated system for core financials, including HR, budget, and payroll, there are items that should be considered in developing specifications for the new system:

- Forced password changes.
- Adequate security of confidential information.
- User needs.
- Reliable vendor (changes, updates, etc.).
- All-inclusive package (processing, reporting), instead of using utility software (example Crossview).
- Acquire source code or request that it be held in an escrow account.
- The ability to transfer historical information.
- Properly calculate garnishments, workers compensation, and other third-party checks.
- Set priorities for payroll deductions.
- Change function to fit the acquired system.

We recommended that DFAS consider the items listed above when specifications are developed for a new core financial system.

ACTION TAKEN:

DFAS is in the process of obtaining funding to acquire a new financial system. DFAS management has stated that our recommended items will be taken into consideration when they begin the process of acquiring a new system.

OTHER ITEM NOTED DURING THE FOLLOW-UP AUDIT

This additional item was noted during the follow-up audit.

1. <u>DFAS SHOULD LIMIT THE ACCESS OF CONFIDENTIAL INFORMATION TO ONLY</u> AUTHORIZED INDIVIDUALS.

We tested four timekeepers to determine if they had access to the ACH transmittal report. None of the timekeepers had access to this report. However, we determined that three timekeepers have access to payroll proof reports that list confidential payroll information for employees in departments citywide. The payroll proof reports list sensitive information, such as employee social security and bank account numbers.

DFAS management stated that they are planning to meet with ISD to resolve the issue of who should have access to Page Center payroll reports. DFAS management also stated that once Ross is upgraded to the new version, social security numbers would no longer be used as employee identification numbers in the payroll system.

RECOMMENDATION

DFAS should limit the access of confidential information to only authorized individuals. DFAS should review who has access to this information on a regular basis and determine if the access is appropriate, and revoke authority if it is not appropriate.

EXECUTIVE RESPONSE FROM DFAS

"We concur with the recommendation."